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INFO OCT-01 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

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TRSE-00 NEA-10 EUR-12 COME-00 /092 W
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C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 2090

E.O. 11652: GDS
TAGS: MASS, TH
SUBJ: FY77 MILITARY SECURITY ASSISTANCE PROGRAM

REF: A) BANGKOK 1684 (DTG 261236Z JAN 76); B) STATE 017013
(DTG 230319Z JAN 76)

1. THE FOLLOWING IS IN RESPONSE TO PARA 6, REF B. THE ANSWERS
HAVE BEEN KEYED TO THE SUB-PARAGRAPHS

2. PARA 6A. PRIOR TO FY75, THE THAI WERE NOT OFFERED FMS CREDIT.
IN FY75, THEY WERE OFFERED $8 MILLION AND IN FY76 THE LEVEL WAS
RAISED TO $36.7 MILLION. THE THAI SUPREME COMMANDER ADVISED US
LAST FALL THAT THE ROYAL THAI ARMED FORCES WOULD ACCEPT THE
PROPOSED FMS CREDIT. BASED ON THE KNOWN REQUIREMENTS FOR MODERNI-
ZATION OF EXISTING SYSTEMS, ATTRITION AND TOE UNIT FILLS AND
THE DECLINING GRANT ASSISTANCE LEVELS, IT IS ANTICIPATED THAT
THE RTARF WOULD BE ABLE TO USE THE $30 MILLION IN FY77 FMS CREDIT
IF OFFERED. THE ROYAL THAI GOVERNMENT HAS DEPOSITED THE $20,000
REQUIRED FOR FY75 FMS CREDIT.

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3. PARA 6B: MAJOR ITEMS TO BE PROCURED, IN PRIORITY ORDER:

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A. M60 MACHINE GUNS
B. M203 GRENADE LAUCHERS
C. M101A1 105MM HOWITZERS
D. M113A1 ARMORED PERSONNEL CARRIERS
E. XM706 ARMORED CARS
F. COMMUNICATIONS EQUIPMENT, INCLUDING RADIO SETS, AN/VRC-46 AND 47, AND AIRCRAFT COMMUNICATIONS
G. PATROL BOATS, UNDER A CO-PRODUCTION ARRANGEMENT
H. UH-1H HELICOPTERS
I. M35A2 2 1/2 TON TRUCKS
J. M542A2 5 TON WRECKERS
K. M151A1 1/4 TON TRUCKS

IN ADDITION, THE RTG HAS REQUESTED AN EXCEPTION OF DOD POLICY TO PURCHASE BADLY NEEDED SPARE PARTS FOR VARIOUS VEHICLES, AIRCRAFT AND WW II VINTAGE NAVAL SHIPS IN ITS INVENTORY.

4. PARA 6C: DOES FMS CREDIT SUPPORT A MILITARY REQUIREMENT DERIVED FROM A US-APPROVED FORCE GOAL? THE JSOP FOR FY79 RECOGNIZES THE RTA FORCE STRUCTURE CHANGE FROM FIVE AND TWO-THIRDS DIVISIONS TO SEVEN DIVISIONS. THE RTA HAS ALREADY REORGANIZED INTO THE SEVEN DIVISION FORCE, BUT HAS NEITHER THE PERSONNEL NOR THE EQUIPMENT ON HAND TO REALIZE FULL SEVEN DIVISION STRENGTH. THE RTA HAS PLANS TO TRAIN THE NEEDED PERSONNEL AND FMS CREDITS COULD ASSIST IN REALIZING UNIT FILL OF TOE ASSETS.

ALL OF THE EQUIPMENT LISTED IN PARA 3 ABOVE IN THE ANTICPATED QUANTITIES TO BE PROCURED IS AUTHROIZED UNDER THE JSOP AND WOULD FALL WITHIN JSOP LEVELS.

5. PARA 6D: ANY OTHER MILITARY JUSTIFICATION FOR CREDIT? THE INTERNAL AND EXTERNAL THREAT TO THAILAND HAS CHANGED SIGNIFICANTLY IN THE LAST YEAR. THE DEFEAT OF US-BACKED GOVERNMENTS IN CAMBODIA AND VIETNAM AND THE FINAL TAKE-OVER BY THE PATHET LAO IN LAOS CAN BE SPECTED TO RESULT IN INCREASED OUTSIDE ASSISTANCE TO COMMUNIST INSURGENT ACTIVITY IN THAILAND.

6. APRA 6E: HOW DOES THE CREDIT PROGRAM RELATE TO GRANT CONFIDENTIAL

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MATERIEL AND GRANT TRAINING?

THE THAI MILITARY BUDGET FOR FY75KAND FY76 ANTICIPATED A US GRANT AID LEVEL OF $60 MILLION PER YEAR. WHEN THE ACTUAL LOWER LEVELS BECAME KNOWN, THE ARMED FORCES MADE A SPECIAL REQUEST TO THE RTG FOR $60 MILLION TO PURCHASE MILITARY ITEMS THEY HAD ANTICIPATED RECEIVING THROUGH THE GRANT AID PROGRAM. THE RTG WAS ABLE TO MAKE A ONE-TIME ALLOCATION OF ONLY $15

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MILLION. THE CREDIT PROGRAM IS THUS NEEDED TO FILL THE GAP BETWEEN GRANT AID ANTICIPATED AND RECEIVED.

COST SHARING FOR THE TRAINING OF THAI MILITARY STUDENTS IN THE UNITED STATES WAS BEGUN IN FY76 WITH THAILAND ASSUMING THE COST OF ALL TRANSOCEANIC TRAVEL. THE COST SHARING PROGRAM WILL RESULT IN THE RTG PAYING ALL TRANSPORTATION AND PFR DIEM STUDENT COSTS BY FY79. THIS PROGRAM HAS BEEN AN ADDITIONAL DRAIN ON THE THAI MILITARY BUDGET SIMULTANEOUSLY WITH REDUCED GRANT AID ALLOCATIONS AND AN INCREASED NEED FOR FUNDS TO MEET THE INCREASED THREAT.

7. PARA 6F: RELEVANT POLICY CONSIDERATIONS FOR PROVISION OF CREDIT AND HOW IT SUPPORTS U.S. OBJECTIVES IN THAILAND AND THE REGION.

THE POLICY CONSIDERATIONS RELEVANT TO THE EXTENSION OF FMS CREDIT TO THE RTG PARALEL THOSE WHICH UNDERLIE OUR ENTIRE SECURITY ASSISTANCE PROGRAM IN THAILAND:

- ASSIST IN MAINTAINING THE CREDIBILITY OF OUR COMMIT-
  MENT TO THAILAND, THUS UNDERPINNING THE FUTURE US
  MILITARY PRESENCE, PARTICULARLY OUR INTELLIGENCE
  COLLECTION FACILITIES, IN-COUNTRY.
- ASSIST THE RTG IN DEVELOPING THE CAPABILITY TO
  SUPPRESS THE COMMUIST INSURGENCY AND MAINTAIN INTER
NAL
  SECUITY.
- PRIVDE SUPPORT FOR THE DEVELOPMENT OF THAI MILITARY
  CAPABILITIES TO DEFEND AGAINST LIMITED EXTERNAL
  MILITARY THREAT.

- PROVIDE SUPPORT FOR COST-EFFECTIVE PROGRAMS THAT
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  DEVELOP THAI MILITARY SELF-SUFFICIENCY.

SINCE THE SECURITY AND SRVIVABILITY OF THAILAND AS A FREE AND DEMOCRATIC STATE SERVES US INTERESTS, ASSISTANCE, BOTH GRANT AID AND CREDIT, TO THAI SECURITY EFFORTS IS WARRANTED.

8. PARA 6G: WILL CREDIT SALES AFFECT REGIONAL ARMS BALANCE OR CONTRIBUTE TO AN ARMS RACE?

FMS CREDIT WILL NOT BE USED TO INTRODUCE NEW WEAPONS SYSTEMS OR NEW TECHNOLOGIES INTO THE REGION, BUT WILL BE DIRECTED AT THE PROCUREMENT OF INVESTMENT ITEMS AND SPARE PARTS FOR USE AGAINST THE COMMUNIST INSURGENTS AND FOR A LIMITED DEFENSE AGAINST EXTERNAL ASSAULT UPON THE COUNTRY. CREDIT WILL NOT BE USED TO PURCHASE ADDITIONAL ASW CAPABILITES, SUBMARINES,

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HEAVY TANKS, OR COMPLEX AIR DEFENSE SYSTEMS. THE VAST AMOUNT OF US MILITARY EQUIPMENT AND SUPPLIES LEFT IN CAMBODIA AND VIETNAM IN THE SPRING OF 1975 FAR OVERSHADOWS ANY ASSETS THAT THE THAI COULD PURCHASE BY FMS CREDIT DOLLARS; THAI FMS CREDIT PRUCHASES COULD NOT CONCEIVABLE CONTRIBUTE TO A REGIONAL ARMS RACE.

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C O N F I D E N T I A L SECTION 2 OF 2 BANGKOK 2090

9. PARA 6H: DEMONSTRABLE NEED FOR MILITARY CREDIT ASSISTANCE; AS STATED IN PARA 5 ABOVE, CREDIT ASSISTANCE IS NEEDED TO OFFSET THE EFFECT OF DECLINING GRANT ASSISTANCE COUPLED WITH AN INCREASED INTERNAL AND EXTERNAL THREAT. THE NEED FOR FORCE EXPANSION, MODERNIZATION, UNIT FILL, AND REPLACEMENT OF ATTRITION ITEMS CANNOT BE DELAYED IN THE FACE OF THIS INCREASED THREAT. ECONOMIC CONDITIONS IN THAILAND PLACE THE MILITARY IN THE POSITION OF COMPETING FOR FUNDS AGAINST WELL RECOGNIZED ECONOMIC AND SOCIAL DEVELOPMENT NEEDS. WITHOUT FMS CREDITS, PROCUREMENT OF MANY OF THE MILITARY'S NEEDS MIGHT HAVE TO BE POSTPONED. THE ONLY OTHER REALISTIC ALTERNATIVE WOULD BE THE REALLOCATION OF FUNDS FRO ECONOMIC AND SOCIAL DEVELOPMENT PROJECTS. SUCH A REALLOCATION, EVEN IF EXPENDED UPON STRENGTHENED ARMED FORCES, WOULD BE COUNTER-PRODUCTIVE TO THE POLITICAL STABILITY AND VIABILITY OF THAILAND.

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10. PARA 6I: WILL PROPOSED CREDIT CREATE REPAYMENT OBIG-
TIONS WHICH WILL PLACE AN UNDESIRABLE BURDEN ON THAILAND'S
FOREIGN EXCHANGE RESOURCES, PRDUCE EXCESSIVE CLAIMS ON
FUTURE BUDGETS, OR OTHERWISE INTERFERE WITH THAILAND'S
DEVELOPMENT?
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GIVEN THAILAND'S CURRENT AND PROJECTED FOREIGN EXCHANGE RESERVES,
WE DO NOT BELIEVE THAT CREDITS AT THE PROPSED LEVEL WOULD PLACE
AN UNACCEPTABLE BURDEN UPON THESE RESOURCES, THE RTG BUDGET,
OR THE COUNTRY'S DEVELOPMENT. FOR THE REASONS STATED ABOVE,
THE NON- ALLOCATION OF CREDIT COULD ON THE CONTRARY HAVE A
PRONOUNCED DESTABILIZING EFFECT, GIVEN THE COMPETING DEMANDS
UPON THE RTG BUDGET.

11. PARA 6J: CASH OR CREDIT PURCHASES FROM THE US OR THIRD
COUNTRIES WHICH COULD BE RELEVANT TO THE EXTENSION OF FY77
CREDIT.

THAILAND HAS CONCLUDED CAS PURCHASES FROM THE US AND THIRD
COUNTRIES AND IS KNOWN TO BE DISCUSSING OTHER PROPOSALS. THE
RTG HAS PURCHASED OVER THE PAST EIGHT YEARS $90.5 MILLION WORTH
OF MILITARY ITEMS FOR THE US, INCLUDING 32 OV-10 AIRCRAFT,
20 AU-23 AIRCRAFT, 2 UH-1 H HELICOPTERS AND A SIGNIFICANT
AMOUNT OF NAVAL RELATED SPARE PARTS. THE THAI ARMED FORCES
ARE PRESENTLY WORKING ON SUPPLY SUPPORT ARRANGEMENTS FROM
THE US. OTHE PRUCHASES UNDER CONSIDERATION INCLUDE:

A. A RTN BID FOR THREE FAST PATROL BOATS, WITH AND
WITHOUT A MISSILE SYSTEM. TACOMA BOAT COMPANY, A
US FIRM, HAS MADE AN OFFER USING THE FRENCH EXOCET
MISSILE. TACOMA'S MAIN COMPETITORS ARE THE SINGAPORE
BOAT COMPANY, WHICH SOLD THE THAI THREE SIMILAR
BOATS IN 1973 USING THE ISRAELI GABRIEL MISSILE; AND
THE BREDA COMPANY OF ITALY.

B. AN RTAF PLANT FOR PRODUCTION OF ELECTRIC-FIRED 20MM
AMMUNITION. A BELGIUM FIRM AND A US FIRM, U.SM
MUNITIONS CONSORTIUM, HAVE DISCUSSED THE PROPOSAL
WITH THE THAI.

C. TADIRAN, AN ISRAELI FIRM, HAS SIGNED A CONTRACT TO PRO-
DUCE AN/PRC-77 RADIOS IN THAILAND. TADIRAN'S REPRESENTA-
TIVES INDICAT 50-70 PERCENT OF THE NEEDED PARTS WILL
COME FROM THE US.

D. A POSSIBLE RTA PURCHASE OF TWENTY-FOUR 155MM HOWITZERS

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FROM ISRAEL. DELIVERY WOULD START TWO MONTHS AFTER THE CONTRACT IS SIGNED WITH DELIVERY AT A RATE OF TWO PER MONTH THEREAFTER. LEAD TIME FOR PURCHASE FROM THE US IS FOUR YEARS.

E. THE RTG HAS TALKED ABOUT PURCHASING A POWDER PLANT FOR THE LAST THREE YEARS. A WEST GERMAN FIRM AND OLIN OF THE US HAVE BEEN VISITED.

F. RTAF INTEREST IN PURCHASING THE PILATUS PORTER AIR-CRAFT FROM SWITZERLAND. LITTLE IS KNOW ABOUT THIS PROPOSAL.

G. A RTG PURCHASE OF 30,000 M-16 RIFLES FROM SINGAPORE AND AN ORDER OF 30,000 M-16A1 RIFLES FROM COLT OF HARTFORD, CONNECTICUT. SINGAPORE DELIVERED THE WEAPONS 90 DAYS AFTER THE CONTRACT WAS SIGNED WHILE THE M-16A1 RIFLE WILL NOT BEGIN TO ARRIVE UNTIL JANUARY 1977.

THE THAI MILITARY PREFER US WEAPONS SYSTEMS BECAUSE US FIRMS BACK UP AND SUPPORT THEIR PRODUCT AND BECAUSE OF COMPATIBILITY OF SYSTMES WITH THOSE USED BY OTHER FRIENDLY NATIONS IN THE REGION. THEY WILL, HOWEVER, PURCHASE FROM THIRD COUNTRIES WHEN DELIVERY TIME FROM THE US IS NON-COMPETITIVE WITH OTHER SOURCES, AS IN THE CASE OF 155 MM HOWITZERS AND M-16 RIFLES, OR WHEN THE US IS NOT WILLING TO RELEASE THE DSIRED SYSTEM FOR SALE TO THAILAND.
WHITEHOUSE

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